

This pack has been prepared to aid discussion and provide further supplementary information only and has not been subject to an external review or audit

CUSTOMERS PER ENTITY



Life Policyholders

	June 2019	December 2018	June 2018	December 2017	June 2017	December 2016	June 2016	December 2015	June 2015	December 2014
Individual	446,475	440,747	429,817	423,707	413,346	407,402	399,715	395,078	398,731	391,104
Invest									118,366	109,914
Invest - DRO*	124,135	120,253	115,670	111,258	105,722	101,168	98,238	94,098		
Invest - Other	185,025	179,975	172,929	164,878	153,804	147,960	139,341	129,989		
Group (lives)	537,472	539,552	512,715	506,141	502,258	466,172	435,168	432,930	425,991	406,678
Group schemes	2,657	2,635	2,585	2,552	2,503	2,453	2,401	2,403	2,332	2,186

*Discovery Retirement Optimiser (DRO) product has been moved from the Individual category to Invest - DRO from December 2015 onwards

This count is the full number of DRO policies (underlying Endowments and Retirement Annuities counted individually), including Paid-up policies.

Prior period comparatives have been restated to be consistent with this approach, since paid-up policies were not previously included in the counts disclosed before June 2017.

Life NB APE

	12 months to June 2019	6 months to December 2018	12 months to June 2018	6 months to December 2017	Year ended June 2017	6 months to December 2016	Year ended June 2016	6 months to December 2015	Year ended June 2015	6 months to December 2014
Individual	2,215	1,157	2,042	1,038	1,970	1,001	1,762	909	2,124	1,097
Group	97	55	146	79	205	52	105	61	108	54
Invest - Recurring	1,221	661	1,205	632	1,219	658	1,194	589	597	295
Invest - Single APE**	1,382	726	1,248	588	1,277	620	1,218	579	1,049	502
Total Life APE**	4,915	2,599	4,641	2,337	4,671	2,331	4,279	2,138	3,878	1,948

** APE shown at 10% of Single premium

Health Members

	June 2019	December 2018	June 2018	December 2017	June 2017	December 2016	June 2016	December 2015	June 2015	December 2014
DHMS - Keycare	240,140	251,951	247,357	254,165	248,430	256,591	247,825	249,605	240,324	235,559
DHMS - Non-Keycare	1,110,401	1,098,903	1,093,745	1,069,492	1,062,964	1,041,166	1,034,833	1,018,612	1,013,864	995,572
In-House Schemes	316,410	315,875	310,773	311,879	299,353	275,293	265,205	153,935	153,486	144,227
Total	1,666,951	1,666,729	1,651,875	1,635,536	1,610,747	1,573,050	1,547,863	1,422,152	1,407,674	1,375,358

Health Lives

	June 2019	December 2018	June 2018	December 2017	June 2017	December 2016	June 2016	December 2015	June 2015	December 2014
DHMS - Keycare	415,436	436,543	428,103	440,722	430,363	443,485	428,817	434,487	419,364	415,093
DHMS - Non-Keycare	2,394,336	2,382,596	2,374,976	2,337,485	2,327,651	2,292,201	2,281,630	2,257,759	2,250,081	2,219,753
In-House Schemes	686,114	677,530	667,116	663,807	635,178	581,821	550,943	326,806	323,416	297,805
Total	3,495,886	3,496,669	3,470,195	3,442,014	3,393,192	3,317,507	3,261,390	3,019,052	2,992,861	2,932,651

Vitality SA

	June 2019	December 2018	June 2018	December 2017	June 2017	December 2016	June 2016	December 2015	June 2015	December 2014
Members*	828,073	833,276	825,531	828,216	823,826	832,365	824,196	734,718	734,529	735,725

*Includes Balance members (Balance is Vitality for Bankmed)

VitalityHealth Members

	June 2019	December 2018	June 2018	December 2017	June 2017	December 2016	June 2016	December 2015	June 2015	December 2014
Individual	101,702	96,277	90,375	85,942	84,070	82,171	80,910	75,969	74,570	75,566
SME	201,960	190,835	181,795	174,376	168,844	165,813	165,341	162,711	158,702	159,546
Corporate	70,583	61,970	59,954	56,762	53,472	56,773	58,756	56,880	54,696	53,924
Trust and Cost Plus	0	-	-	-	-	-	5,496	17,345	17,547	18,224
Total	374,245	349,082	332,124	317,080	306,486	304,757	310,503	312,905	305,515	307,260

VitalityHealth Lives

	June 2019	December 2018	June 2018	December 2017	June 2017	December 2016	June 2016	December 2015	June 2015	December 2014
Individual	179,811	168,609	156,488	148,309	145,379	142,044	139,519	131,188	128,543	130,945
SME	342,431	327,594	314,773	304,280	297,186	292,506	293,037	290,593	284,937	288,287
Corporate	120,157	107,570	105,083	100,242	94,662	101,104	103,897	100,216	97,516	95,241
Trust and Cost Plus	0	-	-	-	-	-	9,245	33,830	33,879	36,437
Total	642,399	603,773	576,344	552,831	537,227	535,654	545,698	555,827	544,875	550,910

VitalityLife Policies

	June 2019	December 2018	June 2018	December 2017	June 2017	December 2016	June 2016	December 2015	June 2015	December 2014
Policies	434,072	408,728	385,818	357,704	337,900	322,364	299,315	274,929	250,834	224,987

VitalityLife Lives

	June 2019	December 2018	June 2018	December 2017	June 2017	December 2016	June 2016	December 2015	June 2015	December 2014
Lives	575,731	542,720	506,823	467,750	438,862	415,169	385,978	351,473	317,855	285,308

Discovery Insure Policies

	June 2019	December 2018	June 2018	December 2017	June 2017	December 2016	June 2016	December 2015	June 2015	December 2014
Policies	159,171	152,947	144,072	137,412	121,785	111,605	100,034	91,945	79,847	70,622

NAV BY ENTITY

The NAV by legal entity (net of non-controlling interests)

R million	June 2019	December 2018	June 2018	December 2017	June 2017	December 2016	June 2016	December 2015	June 2015	December 2014
Holdings and other (including consolidation effects)	8,413	8,689	8,827	5,022	4,519	4,192	4,704	4,993	2,753	510
Discovery Health	1,784	1,403	901	2,416	1,917	1,612	1,486	2,025	2,153	982
Discovery Life	27,597	25,982	24,551	22,774	20,922	19,203	17,735	16,455	15,076	13,724
Discovery Vitality	305	220	215	719	841	858	53	46	22	(13)
The Vitality Group Inc.	1,821	990	663	584	573	485	514	498	346	398
VitalityHealth	4,396	4,956	4,817	5,348	5,025	4,275	5,248	6,397	4,246	3,705
VitalityLife	6,273	5,205	4,594	3,393	3,314	2,692	2,313	1,886	(30)	(194)
Discovery Insure	1,733	1,638	1,551	1,260	1,076	958	934	754	623	410
Discovery Connect	(430)	(367)	(320)	(267)	(219)	(163)	(112)	-	-	-
Goodwill and intangibles from business combinations	2,225	2,268	2,247	2,416	2,496	2,511	2,972	3,589	3,060	2,955
Loan	(11,034)	(11,030)	(10,452)	(9,453)	(8,174)	(6,332)	(5,240)	(5,332)	(893)	(1,902)
Total	43,083	39,954	37,594	34,212	32,290	30,291	30,607	31,311	27,356	20,575

In November 2014, Discovery acquired the remaining 25% share of the VitalityHealth and VitalityLife joint venture.

VALUE OF NEW BUSINESS AT POINT OF SALE VS VALUATION DATE

June 2019

VNB at Point of Sale

R million	Health and Vitality	Life and Invest	VitalityHealth	VitalityLife
Acquisition Costs and Initial strain	(379)	(2,675)	(1,180)	(1,671)
Value of In Force	1,211	3,917	1,510	2,191
Cost of Capital	(27)	(82)	(59)	(134)
	805	1,160	271	386

New business contribution to value of in force at valuation date

R million	Health and Vitality	Life and Invest	VitalityHealth	VitalityLife
Value of In Force	1,206	3,578	1,161	2,151
Cost of Capital	(27)	(82)	(27)	(267)
	1,179	3,496	1,134	1,884

December 2018

VNB at Point of Sale

R million	Health and Vitality	Life and Invest	VitalityHealth	VitalityLife
Acquisition Costs and Initial strain	(183)	(1,356)	(605)	(797)
Value of In Force	611	2,024	724	1,027
Cost of Capital	(14)	(41)	(26)	(64)
	414	627	93	166

New business contribution to value of in force at valuation date

R million	Health and Vitality	Life and Invest	VitalityHealth	VitalityLife
Value of In Force	611	1,890	536	1,031
Cost of Capital	(14)	(41)	(14)	(105)
	597	1,849	522	926

June 2018

VNB at Point of Sale

R million	Health and Vitality	Life and Invest	VitalityHealth	VitalityLife
Acquisition Costs and Initial strain	(364)	(2,388)	(1,030)	(1,387)
Value of In Force	1,349	3,764	1,293	1,794
Cost of Capital	(29)	(74)	(44)	(58)
	956	1,302	219	349

New business contribution to value of in force at valuation date

R million	Health and Vitality	Life and Invest	VitalityHealth	VitalityLife
Value of In Force	1,364	3,536	1,017	1,876
Cost of Capital	(29)	(74)	(29)	(109)
	1,335	3,462	988	1,767

December 2017

VNB at Point of Sale

R million	Health and Vitality	Life and Invest	VitalityHealth	VitalityLife
Acquisition Costs and Initial strain	(176)	(1,225)	(492)	(607)
Value of In Force	578	1,941	504	854
Cost of Capital	(14)	(37)	(23)	(28)
	388	679	(11)	219

New business contribution to value of in force at valuation date

R million	Health and Vitality	Life and Invest	VitalityHealth	VitalityLife
Value of In Force	579	1,864	375	850
Cost of Capital	(14)	(37)	(14)	(24)
	565	1,827	361	826

June 2017

VNB at Point of Sale

R million	Health and Vitality	Life and Invest	VitalityHealth	VitalityLife
Acquisition Costs and Initial strain	(349)	(2,394)	(873)	(1,438)
Value of In Force	1,169	3,698	1,030	1,870
Cost of Capital	(31)	(73)	(46)	(126)
	789	1,231	111	306

New business contribution to value of in force at valuation date

R million	Health and Vitality	Life and Invest	VitalityHealth	VitalityLife
Value of In Force	1,176	3,437	824	1,842
Cost of Capital	(30)	(73)	(30)	(185)
	1,146	3,364	794	1,657

December 2016

VNB at Point of Sale

R million	Health and Vitality	Life and Invest	VitalityHealth	VitalityLife
Acquisition Costs and Initial strain	(170)	(1,220)	(423)	(760)
Value of In Force	503	1,909	450	1,003
Cost of Capital	(15)	(37)	(17)	(67)
	318	652	10	176

New business contribution to value of in force at valuation date

R million	Health and Vitality	Life and Invest	VitalityHealth	VitalityLife
Value of In Force	504	1,783	326	955
Cost of Capital	(14)	(37)	(14)	(135)
	490	1,746	312	820

June 2016

VNB at Point of Sale

R million	Health and Vitality	Life and Invest	VitalityHealth	VitalityLife ¹
Acquisition Costs and Initial strain	(347)	(2,316)	(918)	(2,450)
Value of In Force	1,191	3,579	1,027	3,043
Cost of Capital	(48)	(67)	(47)	(315)
	796	1,196	62	278

1) The acquisition cost and initial strain is now negative to reflect the zeroisation of the negative reserves on VitalityLife and the Discovery funded VitalityLife business on the Prudential license, which no longer offsets acquisition costs.

New business contribution to value of in force at valuation date

R million	Health and Vitality	Life and Invest	VitalityHealth	VitalityLife
Value of In Force	1,205	3,276	757	2,807
Cost of Capital	(47)	(67)	(47)	(295)
	1,158	3,209	710	2,512

December 2015

VNB at Point of Sale

R million	Health and Vitality	Life and Invest	VitalityHealth	VitalityLife ¹
Acquisition Costs and Initial strain	(147)	(1,178)	(458)	36
Value of In Force	417	1,829	492	481
Cost of Capital	(11)	(30)	(15)	(30)
	259	621	19	487

1) The acquisition cost and initial strain is positive due to a negative reserve created in month 1 that more than offsets initial costs.

New business contribution to value of in force at valuation date

R million	Health and Vitality	Life and Invest	VitalityHealth	VitalityLife
Value of In Force	419	1,756	403	525
Cost of Capital	(11)	(30)	(11)	(33)
	408	1,726	392	492

June 2015

VNB at Point of Sale

R million	Health and Vitality	Life and Invest	VitalityHealth ²	VitalityLife ^{1,2}
Acquisition Costs and Initial strain	(332)	(2,191)	(586)	329
Value of In Force	938	3,459	631	521
Cost of Capital	(22)	(56)	(20)	(57)
	584	1,212	25	793

1) The acquisition cost and initial strain is positive due to a negative reserve created in month 1 that more than offsets initial costs.

2) The VitalityHealth and VitalityLife figures in the table above have been prorated to allow for Discovery's ownership increasing from

New business contribution to value of in force at valuation date

R million	Health and Vitality	Life and Invest	VitalityHealth *	VitalityLife *
Value of In Force	940	3,219	542	319
Cost of Capital	(22)	(56)	(22)	(56)
	918	3,163	520	263

* The VitalityHealth and VitalityLife figures in the table above represent Discovery's 100% ownership.

December 2014

VNB at Point of Sale - SVM

R million	Health and Vitality	Life and Invest	PruHealth	PruProtect*
Acquisition Costs and Initial strain	(132)	(1,137)	(178)	178
Value of In Force	401	1,817	200	133
Cost of Capital	(9)	(29)	(6)	(17)
	260	651	16	294

* The acquisition cost and initial strain is positive due to a negative reserve created in month 1 that more than offsets initial costs.

New business contribution to value of in force at valuation date

R million	Health and Vitality	Life and Invest	PruHealth	PruProtect
Value of In Force	401	1,700	262	162
Cost of Capital	(8)	(29)	(7)	(20)
	393	1,671	255	142

EV RECONCILIATION TO INCOME STATEMENT

for the twelve months ended 30 June 2019

R million	Embedded Value Earnings	Value of In-Force	Cost of required Capital	Impact on Income Statement	Adjustment to Shareholders Funds	Statement of Changes in Equity
Total profit from new business	2,622	7,551	(302)	(4,627)	-	-
- Health and Vitality	805	1,137	(27)	(305)	-	-
- Life	1,160	3,404	(82)	(2,162)	-	-
- VitalityHealth	271	1,130	(59)	(800)	-	-
- VitalityLife	386	1,880	(134)	(1,360)	-	-
Profit from existing business						
* Expected return	6,000	(147)	(50)	6,197	-	-
- Health and Vitality	2,527	167	7	2,353	-	-
<i>Expected transfer from VIF to net worth</i>	-	(2,353)	-	2,353	-	-
<i>Unwinding of the risk discount rate</i>	2,527	2,520	7	-	-	-
- Life	2,807	1,075	(75)	1,807	-	-
<i>Expected transfer from VIF to net worth</i>	-	(1,807)	-	1,807	-	-
<i>Unwinding of the risk discount rate</i>	2,807	2,882	(75)	-	-	-
- VitalityHealth	369	(694)	42	1,021	-	-
<i>Expected transfer from VIF to net worth</i>	-	(1,021)	-	1,021	-	-
<i>Unwinding of the risk discount rate</i>	369	327	42	-	-	-
- VitalityLife	297	(695)	(24)	1,016	-	-
<i>Expected transfer from VIF to net worth</i>	-	(1,016)	-	1,016	-	-
<i>Unwinding of the risk discount rate</i>	297	321	(24)	-	-	-
* Change in methodology and assumptions	(1,930)	(6,459)	(140)	4,669	-	-
- Health and Vitality	(1,132)	(1,146)	14	-	-	-
- Life	(540)	(4,940)	(118)	4,518	-	-
- VitalityHealth	150	158	(8)	-	-	-
- VitalityLife	(408)	(531)	(28)	151	-	-
* Experience variances	19	334	(153)	(162)	-	-
- Health and Vitality	606	261	(8)	353	-	-
- Life	(719)	(377)	9	(351)	-	-
- VitalityHealth	436	277	(23)	182	-	-
- VitalityLife	(304)	173	(131)	(346)	-	-
Increase in goodwill and intangibles	(244)	-	-	-	(244)	-
Other initiatives	914	46	-	868	-	-
Non-recurring expenses	(3)	-	-	(3)	-	-
Acquisition costs	(39)	1	-	(40)	-	-
Finance costs	(1,060)	-	-	(1,060)	-	-
Other	76	-	-	-	76	-
Foreign Exchange Rate Movements	(178)	(166)	18	95	34	(159)
Intangibles	30	-	-	-	30	-
DAC	4	-	-	-	4	-
Other	(212)	(166)	18	95	-	(159)
Return on shareholders' funds	419	-	-	419	-	-
Unrealised gain on investments and realised gain on investments transferred to income statement	11	-	-	11	-	-
Health and Vitality investment income	71	-	-	71	-	-
Life investment income	286	-	-	286	-	-
VitalityHealth investment income	51	-	-	51	-	-
VitalityLife investment income	-	-	-	-	-	-
Amortisation of Intangibles	(37)	-	-	(286)	249	-
Amortisation of intangibles from business combinations	(37)	-	-	(84)	47	-
Amortisation of systems intangibles	-	-	-	(202)	202	-
VitalityHealth and VitalityLife DAC and unemployment reserve	-	-	-	62	(62)	-
Reversal of 1 Discovery Place IAS 17 financial lease accounting	-	-	-	(198)	198	-
Life assets under insurance contracts	-	-	-	(715)	715	-
Vitality Life Limited and Discovery funded VitalityLife business on the Prudential license net assets under insurance contracts	-	-	-	978	(978)	-
VitalityHealth FinRe	-	-	-	417	(417)	-
Embedded value earnings	6,559	1,160	(627)	6,614	(429)	(159)
Adjustment to Shareholders' Funds:						
Change in:						
DAC	(43)					
Intangibles & Goodwill	96					
Life negative reserve	715					
VitalityLife negative reserve	(978)					
VitalityLife FinRe liability	(417)					
1 DP IAS 17 financial lease accounting	198					

EV BUILD-UP PER ENTITY

for the twelve months ended 30 June 2019

R million	Health and Vitality	Life and Invest	VitalityHealth	VitalityLife	Other	Total
Value of in-force business at 30 June 2018	20,666	27,157	6,721	5,747	-	60,291
Expected return (in-force business)	2,472	2,672	324	256	-	5,724
Release of profits (in-force business)	(2,353)	(1,807)	(1,021)	(1,016)	-	(6,197)
Value of new business	1,184	3,835	1,451	2,057	-	8,527
Expected return (new business)	55	135	45	41	-	276
Release of profits (new business)	(74)	(513)	(380)	(311)	-	(1,278)
Experience variances	253	(368)	254	42	-	181
Methodology changes	(1,132)	(5,058)	150	(559)	-	(6,599)
Other	-	47	(82)	(66)	-	(101)
Value of in-force business at 30 June 2019	21,071	26,100	7,462	6,191	-	60,824
Shareholders' funds per Balance Sheet	2,089	27,597	4,396	6,273	2,728	43,083
Adjustment to shareholders' funds	-	(20,764)	(2,697)	(5,831)	(3,398)	(32,690)
Embedded value at 30 June 2019	23,160	32,933	9,161	6,633	(670)	71,217

COMPONENTS OF ASSETS UNDER INSURANCE CONTRACTS AND ADJUSTMENT TO SHAREHOLDERS' FUNDS ON PUBLISHED BASIS



R million	June 2019	December 2018	June 2018	December 2017	June 2017	December 2016	June 2016
1. Assets under insurance contracts							
Discovery Life positive liabilities not netted off with negative liabilities:	1,234	1,163	4,636	3,983	3,642	3,231	2,816
Discovery Life long term reserves in respect of policies with net negative liabilities:	(31,295)	(29,786)	(31,713)	(29,448)	(27,650)	(25,629)	(23,720)
Unit reserves	-	-	-	-	-	-	-
VitalityLife net long term reserve	(9,347)	(9,398)	(9,124)	(8,238)	(8,530)	(8,420)	(9,685)
Total Assets under insurance contracts:	(39,408)	(38,021)	(36,201)	(33,703)	(32,538)	(30,818)	(30,589)
2. Negative liabilities not included under assets under insurance contracts							
Negative reserve in respect of Invest business	(4,829)	(4,404)	(4,059)	(3,709)	(3,428)	(3,170)	(2,911)
DAC and DRL in respect of Invest business	(544)	(519)	(503)	(480)	(464)	(438)	(419)
	(5,373)	(4,923)	(4,562)	(4,189)	(3,892)	(3,608)	(3,330)
3. Components to be zeroised based on the Method of Distributable Cashflows:							
Discovery Life long term reserves in respect of policies with net negative liabilities:	(31,295)	(29,786)	(31,713)	(29,448)	(27,650)	(25,629)	(23,720)
Negative reserve in respect of Invest business	(4,829)	(4,404)	(4,059)	(3,709)	(3,428)	(3,170)	(2,911)
DAC and DRL in respect of Invest business	(544)	(519)	(503)	(480)	(464)	(438)	(419)
	-	-	-	-	-	-	-
Adjust for reduction on Deferred Tax Liability as a result of reduction in earnings	8,218	7,686	7,154	6,768	6,349	5,953	5,414
Liabilities off set against Negative reserve before zeroisation	7,686	7,610	7,642	7,015	6,839	6,026	5,868
	(20,764)	(19,413)	(21,479)	(19,854)	(18,354)	(17,258)	(15,768)
4. Other adjustments to published Shareholders' funds							
Vitality Life Limited and Discovery funded VitalityLife business on the Prudential licence net assets under insurance contracts	(5,812)	(4,834)	(4,834)	(3,891)	(3,620)	(3,176)	(3,090)
VitalityHealth FinRe Asset	(2,315)	(1,898)	(1,898)	(1,568)	(1,440)	(1,279)	
VitalityHealth and VitalityHealth Insurance Limited deferred acquisition costs (net of deferred tax)	(382)	(331)	(331)	(254)	(252)	(233)	(290)
VitalityLife receivable relating to the Unemployment Cover benefit (net of deferred tax)	(19)	(27)	(27)	(26)	(27)	(32)	(41)
Goodwill	(2,225)	(2,247)	(2,247)	(2,060)	(2,107)	(2,093)	(2,447)
Intangible assets (net of deferred tax) relating to the acquisition of Standard Life Healthcare and the Prudential joint venture	(800)	(874)	(874)	(839)	(979)	(965)	(1,168)
Net preference share capital	(779)	(779)	(779)	(779)	(779)	(779)	(779)
Reversal of 1 Discovery Place IAS 17 financial lease accounting	406	208	208	75	-		
Adjustment to Shareholders' funds from published basis	(32,690)	(30,195)	(32,261)	(29,196)	(27,558)	(25,815)	(23,583)

RECON OF ASSETS UNDER INSURANCE CONTRACTS

R million	FY June 2019	HY December 2018 **	FY June 2018	HY December 2017	FY June 2017	HY December 2016
Balance at the beginning of the year	36,202	36,202	32,539	32,539	30,589	30,589
Movement for the year:						
Expected Movement in Policyholder Liabilities	(2,953)	(1,440)	(3,392)	(1,650)	(2,917)	(1,580)
Unwinding of Discount Rate	2,003	1,012	2,425	1,187	2,091	1,044
New Business Written	4,747	2,347	3,980	1,986	3,843	2,145
Experience Variances	(812)	(481)	(429)	(466)	(588)	(508)
Economic	(132)	21	(255)	(36)	91	33
Operational	(680)	(502)	(174)	(430)	(678)	(542)
Modeling and method changes	1,419	(58)	(155)	(155)	14	175
Benefit changes	2,066	-	(31)	(44)	-	-
Changes in assumptions	(2,638)	(432)	(6)	403	137	262
Economic	(679)	(483)	2,749	68	(138)	(36)
Operational	(1,959)	51	(2,755)	335	275	298
Changes in margins *	(529)	784	703	88	717	99
Exchange rate difference	(97)	87	568	(184)	(1,347)	(1,408)
Balance at the end of the year	39,408	38,021	36,202	33,704	32,539	30,818

* In line with accounting policy, the best estimate and margins are reset at every valuation date to reflect the underlying profitability of the overall portfolio.

Assets under insurance contracts	48,781	46,284	43,625	39,686	37,690	34,897
Recovery from reinsurers	(9,373)	(8,263)	(7,423)	(5,984)	(5,152)	(4,079)
	39,408	38,020	36,202	33,703	32,538	30,818

** Note that this comparative has been updated to the final disclosure grouping as at December 2018

BREAKDOWN BETWEEN DISCOVERY LIFE AND VITALITYLIFE

R million	FY June 2019		
	Discovery Life	VitalityLife	Total
Balance at the beginning of the year	27,078	9,124	36,202
Movement for the year:			
Expected Movement in Policyholder Liabilities	(1,308)	(1,645)	(2,953)
Unwinding of Discount Rate	1,876	127	2,003
New Business Written	2,852	1,895	4,747
Experience Variances	(713)	(99)	(812)
Economic	(133)	1	(132)
Operational	(580)	(100)	(680)
Modeling and method changes	1,301	118	1,419
Benefit changes	2,066	-	2,066
Changes in assumptions	(2,562)	(76)	(2,638)
Economic	(685)	6	(679)
Operational	(1,877)	(82)	(1,959)
Changes in margins	(529)	-	(529)
Exchange rate difference	-	(97)	(97)
Balance at the end of the year	30,061	9,347	39,408

BREAKDOWN OF INVEST ASSETS UNDER MANAGEMENT

R million	Total
December 2012	26,615
June 2013	30,153
December 2013	36,026
June 2014	41,822
December 2014	45,619
June 2015	50,473
December 2015	56,195
June 2016	60,953
December 2016	63,985
June 2017	69,547
December 2017	77,844
June 2018	81,789
December 2018	83,060
June 2019	91,597

SEGMENTAL INFORMATION - DISCOVERY INSURE (PERSONAL LINES)

for the year ended 30 June 2019

R million	June 2019	June 2018
Income statement		
Insurance premium revenue	3,158	2,664
Reinsurance premiums	(261)	(160)
Net insurance premium revenue	2,897	2,504
Fee income from administration business	12	11
Investment income on assets backing policyholder liabilities	142	127
Net fair value losses on financial assets at fair value through profit or loss	1	(3)
Net income	3,052	2,639
Claims and policyholders' benefits	(1,903)	(1,590)
Insurance claims recovered from reinsurers	169	125
Net claims and policyholders' benefits	(1,734)	(1,465)
Acquisition costs	(405)	(346)
Marketing and administration expenses		
- depreciation and amortisation	(70)	(61)
- other expenses	(744)	(661)
Transfer from assets/liabilities under insurance contracts		
- change in assets arising from reinsurance contracts	(5)	(2)
- change in liabilities arising from insurance contracts	53	(49)
Share of net profits from equity accounted investments	8	13
Normalised profit/(loss) from operations	155	68
Gain on dilution and disposal of equity-accounted investments	808	-
Finance costs	-	(2)
Profit before tax	963	66
Income tax expense	(195)	235
Profit for the year	768	301

VIF, APE AND VNB SPLIT BETWEEN LIFE AND INVEST

R million	June 2019	December 2018	June 2018	December 2017	June 2017	December 2016	June 2016*	December 2015*
VIF**								
Life	19,124	18,242	19,810	19,484	18,065	17,313	16,096	17,067
Invest	6,976	6,502	7,348	7,032	6,258	5,794	5,592	5,468
APE***								
Life	939	506	933	488	985	462	862	446
Invest	1,959	1,041	1,840	894	1,856	974	1,935	920
VNB**								
Life	923	480	911	496	885	434	756	406
Invest	237	147	391	183	346	218	439	215

*Discovery Retirement Optimiser (DRO) product moved from Life to Invest in line with disclosures for December 2016 and later periods.

** These VIF and VNB numbers are *after* allowing for the Cost of required Capital

***APE is the Annual Premium Income (or Annual Premium Equivalent in the case of Single Premium Investment business) in relation to New Business only, and excludes any addition to Existing Business premiums arising from servicing increases and ACIs.

RECONCILIATION TO THE REQUIRED CAPITAL

for the twelve months ended 30 June 2019

R millions	Life and Invest	Health and Vitality	VitalityLife	VitalityHealth	Total
Opening - 30 June 2018	1,732	840	4,210	2,133	8,915
- Methodology changes	17,602	-	-	-	17,602
- Expected release on in-force at start of period	235	(1)	(245)	(225)	(236)
- Impact of new business written	2,155	64	1,802	334	4,355
- Other changes	-	6	313	133	452
- Exchange rate movements	-	-	(76)	(25)	(101)
Change in Required Capital	19,992	69	1,794	217	22,072
Closing - 30 June 2019	21,724	909	6,004	2,350	30,987

Group Shareholder Free Cash Movement

R millions	FY2019	FY2018	FY2017
Cash Generated from In-Force Before Financing	14,598	10,612	7,623
Tax Paid	(1,157)	(1,228)	(745)
Finance Cost Paid	(1,219)	(759)	(437)
Dividends Paid	(1,480)	(1,367)	(1,235)
New Business	(8,096)	(7,822)	(7,071)
New Initiatives	(3,551)	(1,996)	(1,471)
Share Issue (Net of Share Issue Costs)	1,834	-	-
Transactions with Reinsurers	298	1,107	420
Transactions with Borrowers (Excl. Finance Costs)	471	1,976	3,148
Movement in Shareholder Free Cash	1,698	522	231

Group Shareholder Free Cash Movement - Reconciliation to Profit for the Period

R millions	FY2019	FY2018	FY2017
Profit for the period	6,614	5,735	4,495
Reverse non-cash profit items:			
Share of net profits/(losses) from equity accounted investments	(170)	(115)	(26)
Gains from dilution of equity accounted investments	(844)	-	-
Depreciation and amortisation	1,434	940	699
Impairment of intangible assets	32	200	-
Deferred acquisition costs (Excl. Invest DAC and exchange rate movements)	(72)	(61)	(2)
Deferred Revenue (Excl. exchange rate movements)	108	32	-
Amortisation of intangibles from business combinations	99	123	171
Non cash impact of Vitality Health Financial Reinsurance	(444)	(352)	(383)
Vitality Health Financial Reinsurance Recapture	-	-	(858)
UK Life IFRS reporting adjustments - Tax Accrued	64	(27)	(103)
Other non-cash adjustments to profit	159	42	(145)
Adjustments from IFRS to EV ANW:			
Tangible Asset Release on Transition to SAM	3,484	-	-
Increase in Negative Reserves and Invest DAC (Net of tax)	(3,747)	(4,339)	(3,116)
Add back deferred tax on Increase in Negative Reserve	(1,063)	(805)	(935)
Exchange rate movements on Vitality Life Negative Reserves	(67)	286	(653)
Other adjustments to arrive at EV ANW	(146)	113	47
Incurred to Cash basis:			
- Rent Paid	(286)	(128)	-
- Finance Costs Paid	(1,003)	(759)	(437)
- Finance Costs Accrued	1,375	959	478
- Taxation paid	(1,157)	(1,228)	(745)
- Taxation Accrued	1,305	1,720	1,943
Investing Activities:			
Purchase of property and equipment	(510)	(470)	(239)
Proceeds from disposal of property and equipment	95	7	5
Purchase of intangible assets	(1,999)	(1,940)	(1,353)
Proceeds from disposal of intangible assets	22	-	7
Increase in investment in associate	(224)	(20)	(530)
Card and Bank Buy-out Payment	(1,853)	-	-
Cash proceeds from CMT transaction	402	-	-
Acquisition of business net of cash required	(734)	-	-
Financing Activities:			
Increase in borrowings	2,147	2,654	3,514
Repayment of borrowings	(1,676)	(678)	(366)
Share Issue (Net of Share Issue Costs)	1,834	-	-
Dividends paid to ordinary shareholders	(1,400)	(1,284)	(1,152)
Dividends paid to preference shareholders	(81)	(83)	(83)
Movement in Shareholder Free Cash	1,698	522	231

Notes

(1) "Movement in Shareholder Free Cash" is an estimate of shareholder free cashflow. Life and Invest and VitalityLife are included based on the change in the Adjusted Net Worth in the Embedded Value. Changes in working capital are not allowed for in the estimate.

RECONCILIATION OF OPERATING PROFIT TO NORMALISED OPERATING PROFIT

for the year ended 30 June 2019

R million	Group 2019	Group 2018
Operating profit per income statement	7,536	8,260
Add back shareholder investment income	(190)	(209)
Add back net realised gains on available-for-sale financial assets	-	(10)
Add back amortisation from intangibles	99	123
Add share of profits from equity accounted investments shown	170	115
Normalised profit from operations per segmental (IFRS total)	7,615	8,279
Add back VitalityLife IFRS 4 adjustment	64	27
Normalised profit adjustments	68	(326)
Unrealised losses/(gains) on foreign exchange contracts not designated as a hedge	134	(110)
Unrealised gains on shareholder investments ¹	-	(214)
Investment income on shareholder investments ¹	-	(72)
Unrealised gains on shareholder investments (IFRS 9)	(206)	-
Deferred tax on IPF	149	16
Difference between market related rental and depreciation	(76)	(2)
Initial expenses related to Prudential Book transfer	28	2
Other	39	17
Duplicate building costs	-	37
Normalised profit from operations	7,747	7,980

Segmental information

for the year ended 30 June 2019

R million	SA Health	SA Life	SA Invest	SA Vitality	UK Health	UK Life	All other segments	Segment total	IFRS reporting adjustments			IFRS total
									UK Life ²	DUT ³	Disclosure adjustments ⁴	
Income statement												
Insurance premium revenue	167	12 131	14 267	-	8 429	4 750	3 959	43,703	(667)	-	-	43 036
Reinsurance premiums	(1)	(2 410)	-	-	(1 393)	(2 177)	(281)	(6,262)	667	-	-	(5 595)
Net insurance premium revenue	166	9 721	14 267	-	7 036	2 573	3 678	37,441	-	-	-	37 441
Fee income from administration business	6 815	-	2 050	-	15	-	1,542	10,422	-	-	(18)	10 404
Vitality income	-	-	-	2 329	501	157	666	3,653	-	-	-	3 653
Other income	782	42	-	-	39	-	222	1,085	-	-	(22)	1 063
Investment income earned on assets backing policyholder liabilities	-	14	1	-	10	42	141	208	-	-	-	208
Banking interest and similar income	-	-	-	-	-	-	29	29	-	-	-	29
Finance charge on negative reserve funding	-	-	-	-	-	(243)	-	(243)	243	-	-	-
Inter-segment funding ¹	-	(754)	754	-	-	-	-	-	-	-	-	-
Net fair value gains on financial assets at fair value through profit or loss	7	1,056	1,849	-	40	211	33	3,196	-	1 036	33	4 265
Net income	7 770	10 079	18 921	2 329	7 641	2 740	6 311	55 791	243	1 036	(7)	57 063
Claims and policyholders' benefits	(65)	(8 205)	(8 989)	-	(4 613)	(1,133)	(1 933)	(24,938)	400	-	-	(24 538)
Insurance claims recovered from reinsurers	1	2 168	-	-	1 088	620	182	4,059	(400)	-	-	3 659
Net claims and policyholders' benefits	(64)	(6 037)	(8 989)	-	(3 525)	(513)	(1 751)	(20,879)	-	-	-	(20 879)
Acquisition costs	(6)	(1 705)	(1 138)	(87)	(732)	(1 888)	(301)	(5,857)	(243)	-	-	(6 100)
Marketing and administration expenses												
- depreciation and amortisation	(223)	(4)	(4)	(8)	(251)	(34)	(520)	(1,044)	-	-	(210)	(1 254)
- impairment of intangible assets	(4)	-	-	(5)	-	-	(23)	(32)	-	-	-	(32)
- other expenses	(4 423)	(1 876)	(904)	(2 169)	(3 148)	(2 060)	(4 025)	(18,605)	(64)	(253)	254	(18 668)
Recovery of expenses from reinsurers	-	-	-	-	814	2 016	-	2,830	-	-	-	2 830
Transfer from assets/liabilities under insurance contracts												
- change in assets arising from insurance contracts	-	3 475	-	-	-	1 570	(4)	5,041	280	-	-	5 321
- change in assets arising from reinsurance contracts	-	10	-	-	(8)	10	(5)	7	-	-	-	7
- change in liabilities arising from insurance contracts	(9)	(251)	(6 837)	-	(33)	(17)	(738)	(7,885)	-	(16)	(149)	(8 050)
- change in liabilities arising from reinsurance contracts	-	(458)	-	-	-	(1 246)	-	(1,704)	(280)	-	-	(1 984)
Fair value adjustment to liabilities under investment contracts	-	(3)	(83)	-	-	-	-	(86)	-	(767)	44	(809)
Share of net profits from equity-accounted investments	3	-	-	-	-	-	167	170	-	-	-	170
Normalised profit/(loss) from operations	3 044	3 230	966	60	758	578	(889)	7 747	(64)	-	(68)	7 615
Investment income earned on shareholder investments and cash	57	8	35	42	1	14	33	190	-	-	-	190
Net fair value losses on financial assets at fair value through profit or loss	-	224	(9)	-	-	-	(144)	71	-	-	(71)	-
Gains from dilution and disposal of equity accounted investments	-	-	-	-	-	-	823	823	-	-	21	844
Gain on previously held interests in DiscoveryCard business	-	-	-	-	-	-	761	761	-	-	-	761
Impairment of goodwill	-	-	-	-	-	-	(17)	(17)	-	-	-	(17)
Initial expenses related to Prudential Book transfer	-	-	-	-	-	(28)	-	(28)	-	-	28	-
Amortisation of intangibles from business combinations	-	-	-	-	-	-	(99)	(99)	-	-	-	(99)
Market rentals related to Head Office building adjusted for finance costs and depreciation	-	-	-	-	-	-	(281)	(281)	-	-	281	-
Finance costs	(10)	(2)	-	-	-	(3)	(1,020)	(1,035)	-	-	(340)	(1,375)
Foreign exchange losses	1	-	6	-	-	-	(7)	-	-	-	-	-
Profit before tax	3 092	3 460	998	102	759	561	(840)	8,132	(64)	-	(149)	7 919
Income tax expense	(741)	(880)	(280)	(29)	(38)	(138)	588	(1,518)	64	-	149	(1 305)
Profit for the year	2 351	2 580	718	73	721	423	(252)	6,614	-	-	-	6 614

¹ The inter-segment funding of R754 million reflects a notional allocation of interest earned on the negative reserve backing policyholders' funds of guaranteed investment products and hence is transferred to Discovery Invest.

The segment information is presented on the same basis as reported to the Chief Executive Officers of the reportable segments. The segment total is then adjusted for accounting reclassifications and entries required to produce IFRS compliant results. These adjustments include the following:

² The VitalityLife results, for business written on the Prudential Assurance Company license, are reclassified to account for the contractual arrangement as a reinsurance contract under IFRS 4.

³ The Discovery Unit Trusts (DUT) are consolidated into Discovery's results for IFRS purposes. In the Segment information the DUT column includes the effects of consolidating the unit trusts into Discovery's results, effectively being the income and expenses relating to units held by third parties.

⁴ The effects of eliminating intercompany transactions on consolidation and normalised operating profit adjustments.